

Goodyear Canada INC.
1975 ANNUAL REPORT



THE COVER

Agriculture, Canada's number one industry in terms of production value, is well served by Goodyear, the country's leading supplier of farm tires. In this painting by company employee Jim Best, a farmer in Southern Ontario tills the soil for his next crop of wheat.

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Running on Goodyear Super Terra Grip tires, a Foremost vehicle hauls a 60-ton train of supplies to oil exploration sites in the Canadian Arctic.



President H. G. MacNeill views scale model of expanded Valleyfield tire plant.

Report to the shareholders

We are pleased to submit the company's financial statements for the year ended December 31, 1975.

Consolidated net sales were \$329,229,000, compared with \$280,926,000 in 1974, an increase of 17.2 per cent.

Consolidated net income was \$5,187,000, compared with \$7,701,000 in 1974, a 32.6 per cent decrease.

Consolidated net income per outstanding share of common stock was \$1.95, versus \$2.91 in 1974.

Dividends paid in 1975 amounted to 60¢ per share of common stock, the same as in 1974. Dividends of \$2.00 per share were paid on the 4 per cent preferred stock.

Taxes and duties totalled \$26,892,000, or \$10.45 per common share, as against \$30,099,000, or \$11.70 per common share in the previous year.

Total compensation paid to employees, together with pension, hospitalization, group insurance and related benefits, was \$96,273,000, up 28.6 per cent from \$74,864,000 in 1974.

Capital expenditures totalled \$24,458,000; depreciation amounted to \$6,933,000.

Nineteen seventy-five was characterized by fluctuations in the demand for our products which required frequent adjustments to fast-changing market conditions.

During the first quarter, and part of the second, business was generally good. Most of our customers were busy replenishing their inventories which had been depleted by long strikes in some of our plants in 1974. Our sales and earnings looked promising.

By mid-year, business started to slow down, partly as a result of a general recession, but also because of labor unrest in some key sectors of the national economy. Demand for some product lines decreased, and substantial cutbacks in manufacturing operations

became necessary in order to keep inventories in balance.

Higher factory costs resulting from below-capacity operation and severe price competition, caused by industry-wide product surpluses, contributed heavily to the overall decline in profitability. Another contributing factor was the massive program of plant expansion, modernization and conversion carried out in 1975.

Substantial delays in completing the Valleyfield radial tire plant were an additional source of profit margin erosion: they forced the company to continue to import large quantities of radial tires to satisfy the growing and impatient demand of the Canadian market.

The acquisition of The Kelly-Springfield Tire Company of Canada Limited and its subsidiary, Hallmark Automotive Centres Limited, took effect January 1, 1975.

The change of corporate name from The Goodyear Tire & Rubber Company of Canada, Limited to Goodyear Canada Inc. became effective April 1, 1975 upon ratification at the shareholders' annual meeting.

The following new officers were appointed by the Board of Directors: Henry G. Wloka, Comptroller; Frank E. Walker and Walter C. Monroe, Assistant Comptrollers, and Harry P. Lovering, Assistant Treasurer.

C. Ralph Mc Millen was appointed to the newly created position of Director of Product Quality and Safety, reporting to the Chief Executive Officer. The appointment emphasized the company's unrelenting quest for better and safer products.

In looking at 1976, we see some lingering uncertainties but are confident that the economy will improve in the second half and will benefit all segments of our business.

The new Valleyfield radial tire plant, to be fully operational by mid-year, the expanded Bowmanville

and Collingwood factories, and the converted Owen Sound facility will give us the added capacity needed to serve a stronger Canadian market.

To achieve our objective of improved earnings in 1976, we will continue to rely heavily on efficient distribution methods, a strengthened organization of dealers, distributors, and company-owned stores. We will search for new ideas and imaginative strategies in marketing, advertising and sales promotion of all product lines.

The company and its subsidiaries are subject to controls on prices, profits, compensation and dividends instituted by the Federal Government in the Anti-Inflation Act effective October 13, 1975. At this time there are some uncertainties concerning the implementation of the program, so that the impact on the company's future operations cannot be accurately forecast. Goodyear Canada has used its best efforts to comply with the guidelines since their announcement and will continue to do so.

In pursuing our objectives for 1976 we count on the continued cooperation of our shareholders, employees, dealers and distributors. Their unswerving support, under unusual and trying circumstances, has been, and is, a source of strength and inspiration to all of us.

With the approval of the Board of Directors.



H. G. MacNeill
President and Chief Executive Officer
February 11, 1976

Sales District Offices

Moncton, N.B.
Montreal, P.Q.
Toronto, Ont.
Winnipeg, Man.
Edmonton, Alta.
Vancouver, B.C.

Manufacturing Plants

Bowmanville, Ont.
Industrial products
Toronto, Ont. (2)
Tires and tubes; plastic films
Saint-Hyacinthe, P.Q.
Fabrics
Quebec, P.Q.
Molded and extruded goods;
Shoe products
Medicine Hat, Alta.
Tires
Valleyfield, P.Q.
Tires
Owen Sound, Ont.
Power-transmission products
Collingwood, Ont.
Hose products

Board of Directors

H. A. Brundage
Toronto
C. E. Clarke
Toronto
P. P. Daigle
Montreal
John H. Gerstenmaier
Akron
Louis A.-Lapointe, Q.C.
Montreal
H. G. MacNeill
Toronto
A. Deane Nesbitt, O.B.E., D.F.C.
Montreal
Charles J. Pilliod Jr.
Akron
Bruce M. Robertson
Akron

Officers

H. G. MacNeill
President and Chief Executive Officer
H. A. Brundage
Vice-President, Finance
C. E. Clarke
Vice-President and General Counsel
L. F. Huhta
Vice-President, Tire Production
P. G. Mackie
Vice-President, Materials Management
R. C. Markham
Vice-President, Tire Sales
J. C. Moon
Vice-President, Personnel
H. M. Wells
Vice-President, General Products
G. D. Gordon
Secretary
B. R. Telfer
Treasurer
H. G. Wloka
Comptroller
H. P. Lovering
Assistant Treasurer
W. R. Hayward
Assistant Comptroller
W. C. Monroe
Assistant Comptroller
F. E. Walker
Assistant Comptroller

Goodyear Canada supplied coupling gaskets for the sprinkler system of the world's tallest free-standing structure, the CN Tower, in Toronto.



Consolidated Balance Sheet

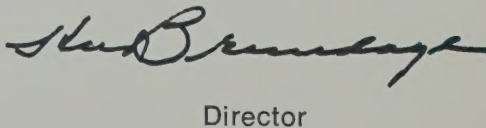
Dollars in thousands

Assets

| | December 31 | |
|--------------------------------------|------------------|------------------|
| | 1975 | 1974 |
| Current Assets : | | |
| Cash | \$ 3,060 | \$ 2,575 |
| Accounts receivable | 59,296 | 55,583 |
| Due from affiliated companies | 2,108 | 3,838 |
| Inventories: | | |
| Raw materials | 11,633 | 14,514 |
| Work in process | 4,514 | 6,013 |
| Finished product | 55,301 | 35,521 |
| | <u>71,448</u> | <u>56,048</u> |
| Prepaid expenses | 4,330 | 3,489 |
| Total Current Assets | <u>140,242</u> | <u>121,533</u> |
| Miscellaneous Investments | | |
| at cost less allowances | 2,158 | 1,950 |
| Properties and Plants: | | |
| Land and improvements | 4,904 | 4,167 |
| Buildings | 48,210 | 36,431 |
| Machinery and equipment | 134,706 | 106,517 |
| Construction in progress | 12,683 | 29,673 |
| | <u>200,503</u> | <u>176,788</u> |
| Less: Depreciation | 97,965 | 92,062 |
| | <u>102,538</u> | <u>84,726</u> |
| | <u>\$244,938</u> | <u>\$208,209</u> |

Approved by the Board:


Director


Director

Liabilities

December 31

| | 1975 | 1974 |
|---|----------|----------|
| Current Liabilities: | | |
| Bank indebtedness | \$ 9,437 | \$ 4,599 |
| Accounts payable and accrued liabilities | 22,352 | 21,198 |
| Due to affiliated companies | 19,715 | 13,741 |
| Income and other taxes payable | 2,820 | 221 |
| Dividend payable on preferred shares | 39 | 50 |
| Total Current Liabilities | 54,363 | 39,809 |
| Long Term Debt: | | |
| Bank loans due 1977 under revolving credit agreements | 85,712 | 69,458 |
| Deferred Income Taxes | 18,133 | 14,637 |
| Deferred Income | 672 | 718 |

Shareholders' Equity

Capital Stock:

| | | |
|--|------------------|------------------|
| 4% cumulative redeemable sinking fund preferred shares (par value \$50 per share; redeemable on call at \$53 per share): | | |
| Authorized, issued and outstanding, 1975—77,701 shares; 1974—97,932 shares | 3,885 | 4,897 |
| Common shares, no par value: | | |
| Authorized, 2,906,600 shares; issued and outstanding, 2,572,600 shares | 129 | 129 |
| Capital Surplus | 692 | 692 |
| Retained Earnings | 81,352 | 77,869 |
| | 86,058 | 83,587 |
| | <u>\$244,938</u> | <u>\$208,209</u> |

Consolidated Income Statement

Dollars in thousands, except per share

| | Year ended December 31 | |
|--|------------------------|----------------|
| | 1975 | 1974 |
| Net sales | \$329,229 | \$280,926 |
| Income from investments | 353 | 174 |
| | <u>329,582</u> | <u>281,100</u> |
| Deduct: | | |
| Costs and expenses | 307,323 | 255,568 |
| Interest expense on long term debt | 5,478 | 4,951 |
| Other interest expense | 605 | 604 |
| Depreciation | 6,933 | 6,010 |
| Income taxes: | | |
| Current | (455) | 1,460 |
| Deferred | 4,511 | 4,806 |
| | <u>324,395</u> | <u>273,399</u> |
| Net income for the year | \$ 5,187 | \$ 7,701 |
| Net income per common share | \$ 1.95 | \$ 2.91 |

Consolidated Retained Earnings Statement

Dollars in thousands

| | Year ended December 31 | |
|------------------------------------|------------------------|---------------|
| | 1975 | 1974 |
| Balance at beginning of year | \$ 77,869 | \$ 71,921 |
| Net income for the year | 5,187 | 7,701 |
| | <u>83,056</u> | <u>79,622</u> |
| Deduct: | | |
| Dividends: | | |
| On common shares | 1,544 | 1,544 |
| On 4% preferred shares | 160 | 209 |
| | <u>1,704</u> | <u>1,753</u> |
| Balance at end of year | \$ 81,352 | \$ 77,869 |

Consolidated Statement of Changes in Financial Position

Dollars in thousands

Year ended December 31

| | 1975 | 1974 |
|---|----------|-----------|
| Source of Working Capital: | | |
| Net income for the year | \$ 5,187 | \$ 7,701 |
| Expenses not requiring a current outlay of working capital— principally depreciation and deferred income taxes | 10,383 | 10,830 |
| Total from operations | 15,570 | 18,531 |
| Long term debt | 16,254 | 31,359 |
| Property disposals | 438 | 331 |
| | 32,262 | 50,221 |
| Application of Working Capital: | | |
| Expenditures for properties and plants | 24,458 | 31,225 |
| Investment in acquired company, less working capital at date of acquisition of \$3,607 . | 725 | — |
| Dividends | 1,704 | 1,753 |
| Preferred shares redeemed .. | 1,012 | 405 |
| Investments | 208 | 747 |
| | 28,107 | 34,130 |
| Increase in working capital | \$ 4,155 | \$ 16,091 |

Auditors' Report

To the Shareholders of Goodyear Canada Inc.

We have examined the consolidated balance sheet of Goodyear Canada Inc. (formerly The Goodyear Tire & Rubber Company of Canada, Limited) and its subsidiary companies, as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Toronto, January 23, 1976

Notes to Consolidated Financial Statements

1. Accounting Policies:

The consolidated financial statements include the accounts of the Company and all its subsidiary companies. All significant inter-company transactions are eliminated on consolidation.

Inventories of raw materials are valued at the lower of cost and replacement cost, and inventories of work in process and finished goods at the lower of standard cost (which approximates actual cost) and net realizable value.

Fixed assets are stated at cost. Depreciation is computed using the declining balance method for depreciable assets acquired up to December 31, 1967, and the straight-line method, at rates based on the estimated useful lives of the assets, for depreciable assets acquired after January 1, 1968. Gains or losses on the disposal of fixed assets are included in income and the cost and accumulated depreciation related to these assets are removed from the accounts.

The Company accounts for income taxes on the tax allocation basis which relates income taxes to the accounting income for the year. The deferral method of tax allocation is used to account for timing differences between accounting income and taxable income.

The consolidated financial statements do not purport to comply with all disclosure requirements unique to The Companies Act of British Columbia.

2. The Kelly-Springfield Tire Company of Canada Limited:

The Company purchased as of January 1, 1975 all of the outstanding shares of The Kelly-Springfield Tire Company of Canada Limited for a cash consideration of \$4,332,000, which amount was equal to the net book value of the tangible assets of that company.

3. Commitments:

The Company's unfunded obligation for pension benefits arising from service prior to December 31, 1975 is estimated to be \$31,100,000. This obligation, which has not been recorded in the accounts, is to be amortized by annual payments charged against operations through 1990.

At December 31, 1975, the estimated cost to complete approved capital projects was \$8,000,000.

4. Remuneration to Directors and Senior Officers:

This remuneration amounted to \$392,000 in 1975, compared with \$405,000 in 1974.

Comparison with prior years

Dollars in thousands, except per share

| | 1975 | 1974 | 1973 | 1972 | 1971 |
|---------------------------------------|------------------|-----------|-----------|-----------|-----------|
| Net sales | \$329,229 | \$280,926 | \$239,988 | \$210,765 | \$185,361 |
| Net income | 5,187 | 7,701 | 9,883 | 9,562 | 7,753 |
| Net income per dollar of sales | 1.6¢ | 2.7¢ | 4.1¢ | 4.5¢ | 4.2¢ |
| Taxes and duties | \$ 26,892 | \$ 30,099 | \$ 23,858 | \$ 24,911 | \$ 21,097 |
| Depreciation | \$ 6,933 | \$ 6,010 | \$ 6,078 | \$ 6,305 | \$ 7,040 |
| Capital expenditures | 24,458 | 31,225 | 16,392 | 12,350 | 4,272 |
| Properties and plants — Net | 102,538 | 84,726 | 59,842 | 51,783 | 45,926 |
| Per Share of Common Stock: | | | | | |
| *Net income | \$ 1.95 | \$ 2.91 | \$ 3.76 | \$ 3.63 | \$ 2.92 |
| *Book value | 31.94 | 30.59 | 28.28 | 25.12 | 22.09 |
| *Taxes and duties | 10.45 | 11.70 | 9.27 | 9.68 | 8.20 |
| Employee compensation | \$ 96,273 | \$ 74,864 | \$ 78,728 | \$ 68,468 | \$ 56,945 |
| *Common shares outstanding | 2,572,600 | 2,572,600 | 2,572,600 | 2,572,600 | 2,572,600 |

*Adjusted to reflect 10 for 1 split in 1973

Goodyear People

Goodyear Canada's employees have traditionally proven themselves good citizens.

They have been unselfish with their free time by serving in municipal governments, organizing and coaching minor sports, and playing a leading role in charitable work and other fields of social endeavor.

Civic participation does not necessarily mean aspiration to high office. The employee who makes company premises a credit to the neighborhood is of the same turn of mind as the one who becomes mayor or chairman of a school board.

They all contribute to the community.

When James Bonham retired from Goodyear Canada's financial division in 1971, he turned to face one of the biggest challenges of his life: he assumed the chairmanship of the Toronto Board of Education, an authority with jurisdiction over 231 schools and a budget approaching \$110 million.

Throughout his 43 years with the company, Bonham had devoted much of his free time to community service. Before reaching the highest municipal office in education, he had served a grueling apprenticeship of 25 years as a school trustee, councillor, and reeve of the Toronto suburb of Swansea. After his chair-

manship of the Toronto Board of Education expired, he remained on the board for another three years.

Bonham is still 'involved' as consultant for the Community Care Services of Metropolitan Toronto which assists the elderly and handicapped.

Leading the way with flowers

In the spring of 1975, the staff of the Goodyear Go Centre in Hamilton, Ontario, looked around the neighborhood and found that lawns and trees were almost non-existent. There wasn't a flower to be seen.

Realizing that drab surroundings do not attract customers, the store's employees recruited the services of the assistant manager's mother, and, under her direction, in their free time, laid sod and planted flowers and trees. Soon neighboring businesses, including a competitor across the street, started to follow suit.

The neighbors weren't the only ones to notice the Go Centre's achievement. The city did too and presented the store with a "Trillium" award for leading the way in beautifying the area. The trillium is the provincial flower of Ontario.



James Bonham, past chairman of the Toronto Board of Education.



Assistant store manager John Norris holds City of Hamilton's "Trillium" award.



A service truck from Murphy Bros. Limited, one of Goodyear Canada's largest dealers, prepares to change a tire on earthmover at a quarry near Hamilton, Ontario.



Technician at the Toronto plant's laboratory inspects footprint of F32 All Winter Radial tire.



These extra-wide, low-pressure experimental tires are expected to be soon in use in the deserts of the Middle East.



Tire Division

Economic uncertainty, high unemployment, and rising fuel costs were responsible for a sluggish tire market in 1975. Reduced demand and unusually high inventories led to severe industry-wide price discounting, below-capacity plant operation, and temporary suspensions in the manufacture of certain product lines.

A reorganization of the field sales force, designed to achieve higher efficiency and reduce costs, resulted in the consolidation of the existing twelve districts into six.

Goodyear Canada started manufacturing the F32 All Winter Radial tire, which, in many respects, outperforms studded tires on snow and ice. The company also launched the Grand Prix Radial Wide Tread, an economy-priced passenger radial tire with polyester carcass and fiberglass belts.

After receiving from the James Bay Energy Corporation the concession for the sale and service of tires at the LG 2 power station of the La Grande Complex, the company was building up its network of facilities serving the thousands of vehicles involved in the project. With an installed capacity of 5,328,000 kilowatts, LG 2 will be the most powerful hydro-electric installation in North America.

The expansion of the Valleyfield plant, long delayed by labor problems in the construction industry, was substantially completed at year-end, with production of Custom Polysteel Radial passenger tires and Unisteel Radial truck tires rapidly gaining momentum.

A \$2 million retread plant was nearing completion at Laval, near Montreal. Designed to repair and retread truck and earthmover tires, it features the best available pollution control technology.



The one-hundred-thousandth R Model truck to come off the line at Mack's plant in Oakville, Ontario, is fitted with Goodyear Unisteel radial tires.

General Products Division

Crane lifts 38-ton section of North America's largest steel-cable conveyor belt press into place at the Bowmanville plant.

Expansion and conversion of some manufacturing facilities and a record order for conveyor belting were the highlights of the general products division in 1975.

A press capable of producing steel-cable conveyor belting 10-feet wide, the largest unit of its type in North America, was installed at the Bowmanville plant. Meanwhile, the company obtained an order for more than 19 miles of steel-cable conveyor belting for use in one of the tar sands developments in Alberta.

The Owen Sound plant stopped making foam products and started the manufacture of power-transmission belts, a product line previously made at Bowmanville. Collingwood completed its second

major expansion in three years.

The business decline suffered by the automotive and appliance industries had an adverse effect on the Collingwood and Quebec plants, where production had to be cut back substantially. However, signs of improvement began to appear on the horizon toward the end of the year. The Quebec plant landed a large order for molded anti-vibration pads to be used in the Toronto subway system.

Plastic film sales, although marginally down from 1974, were still good and appeared likely to improve, following the introduction of a new food-wrap film, produced in medium-size rolls for home use.



Goodyear Flextra hose, made at Collingwood, transfers gasoline from tank truck to service station at Mississauga, Ontario.



The Owen Sound plant is one of the main suppliers of drive belts for the country's estimated one million snow vehicles.



Goodyear Pictorial

The airship "America" gave TV watchers a bird's-eye view of the 1975 Canadian Open golf classic near Montreal.



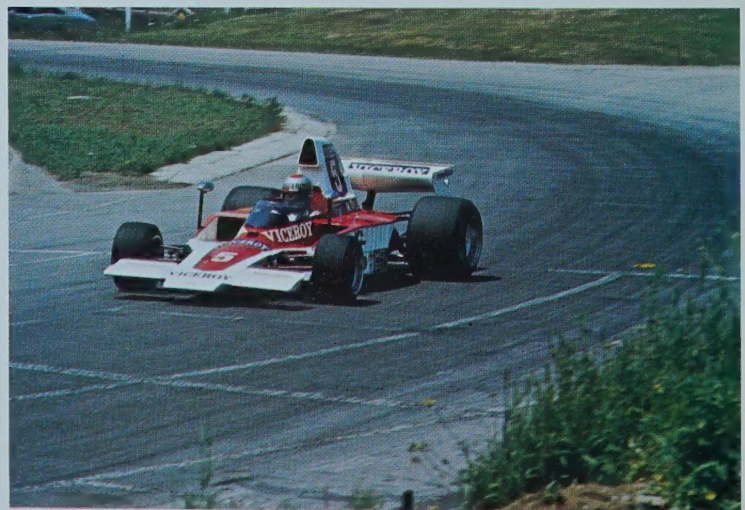
In mint condition and equipped with Goodyear tires, this 1911 Ford Torpedo was a star attraction at an Antique and Classic Car Club of Canada exhibition at Toronto.



Goodyear pneumatic industrial tires provide the roll and serve as bumpers on "logs" of popular flume ride in the Centreville Children's Amusement Area of the 600-acre Toronto Islands Park.



Mario Andretti, driving a Lola T332 equipped with Goodyear tires, won the 1975 Labatt's Formula 5000 race at Mosport Park, Ontario. All drivers in the competition used Goodyear tires.



GOODYEAR